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HYDRA EXPLORATIONS LIMITED

Tenth Annual Report
For the Year Ended May 31,

1969

HYDRA EXPLORATIONS LIMITED

President

A. W. JOHNSTON

Vice-President and General Manager

H. B. HICKS

Secretary-Treasurer

W. M. O'SHAUGHNESSY

Directors

A. W. JOHNSTON

H. B. HICKS

L. E. WETMORE

W. C. CAMPBELL

W. M. O'SHAUGHNESSY

Transfer Agent and Registrar

GUARANTY TRUST COMPANY OF CANADA
TORONTO AND MONTREAL

Auditors

CAMPBELL, LAWLESS & PUNCHARD
TORONTO

Head Office

SUITE 1600, 100 ADELAIDE STREET WEST, TORONTO 1, ONTARIO

DIRECTORS' REPORT TO THE SHAREHOLDERS:

The directors are pleased to present the tenth annual report of the company, covering the year ended May 31, 1969 with the financial statements for the period.

The company considered a number of property submissions during the year but none of these resulted in any claim acquisitions.

Investigation of a high-grade silver-lead antimony property in the Bridger River district of British Columbia was continued and a limited diamond drilling programme carried out. The results of this work were disappointing and the option on the property was dropped.

During the year an induced polarization survey was completed on the company's 24 claim group located in Bourlamaque Township, Northwestern Quebec. This property lies one and one-quarter miles east of the East Sullivan Mines Ltd. holdings, a former copper-zinc producer. The geophysical survey indicated several anomalous areas, one of which, located in an area unexplored previously, is of a size and intensity that warrants diamond drilling. It is planned to investigate this interesting area after freeze-up.

Your company also participated in two prospecting syndicates, one of which is working in Ontario, the other in Ontario, Manitoba and British Columbia. The results of these ventures are not available at this time.

During the past year, your company participated in the purchase of 7½% convertible notes issued by Consolidated Canadian Faraday Limited to provide funds for preparing and equipping the Maskwa mine for production. All of these notes have now been redeemed by conversion or redemption for cash. Production from the Maskwa mine, under the management of Faraday, was commenced late in August, 1969.

Enclosed you will find an information circular and a notice calling the annual general meeting of shareholders on October 29, 1969, at the hour of ten o'clock in the forenoon. If you cannot attend the meeting in person, you are requested to sign and return the enclosed proxy at your earliest convenience, in order that your shares may be represented at the meeting.

On behalf of the Board,

ASHTON W. JOHNSTON,
President.

HYDRA EXPLORATIONS LIMITED

BALANCE SHEET

AMALGAMATED UNDER THE LAWS OF ONTARIO

ASSETS

		1968
Cash in bank and short term bank deposits	\$ 51,094	\$ 29,902
Interest receivable on notes	17,605	—
Investment in unsecured convertible notes (7½%) of Consolidated Canadian Faraday Limited (principal \$420,000) at cost (see note 1)	399,000	—
Investments in shares of and advances to other mining companies, at cost		
Listed (quoted market value \$388,102) (see note 2)	\$ 132,177	347,971
Unlisted (quoted market value \$2,475)	5,401	5,401
Advances to other mining company	—	300
	<hr/>	<hr/>
	137,578	353,672
Mineral claims, rights and interests, at cost	368,780	372,780
Preproduction expenditures	1,443,746	1,444,374

Approved by the Board:

W. CLARKE CAMPBELL, Director.

W. M. O'SHAUGHNESSY, Director.

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\$2,417,803	\$2,200,728

31, 1969

LIABILITIES

		1968
Accounts payable and accrued liabilities	\$ 4,766	\$ 2,028

CAPITAL STOCK

Authorized

5,000,000 shares of a par value of \$1 each

Issued

4,050,040 shares	\$4,050,040	4,050,040
Less discount thereon	1,450,000	1,450,000
	<u>2,600,040</u>	<u>2,600,040</u>
DEFICIT	187,003	401,340
	<u>2,413,037</u>	<u>2,198,700</u>

NOTE 1. Subsequent to May 31, 1969, the Company converted \$134,676 of notes into 38,479 shares of Consolidated Canadian Faraday Limited at \$3.50 per share and received cash of \$285,324 on redemption of the balance of the face value (\$420,000) of the notes.

NOTE 2. Quoted market value of the listed shares (which are shares of Consolidated Canadian Faraday Limited) as at August 25, 1969 was \$246,974.

<u>\$2,417,803</u>	<u>\$2,200,728</u>
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AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Hydra Explorations Limited as at May 31, 1969 and the statements of deficit, preproduction expenses and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of deficit, preproduction expenses and source and application of funds present fairly the financial position of the Company as at May 31, 1969 and the results of its operations and its source and application of funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CAMPBELL, LAWLESS & PUNCHARD

Chartered Accountants

Toronto, Ontario
August 25, 1969

PREPRODUCTION EXPENSES

Year to May 31, 1969

		1968
Balance beginning of year		<u> </u>
Predecessor companies	\$1,167,756	\$1,167,756
Amalgamated company	276,618	256,698
	<u>1,444,374</u>	<u>1,424,454</u>
EXPLORATION AND DEVELOPMENT EXPENSES		
Engineering and geological services and expenses	\$ 2,397	4,237
Government fees, licences and acreage taxes	8,890	8,402
Diamond drilling	5,350	10,248
Camp supplies, wages and equipment rental	4,784	
Sampling and assaying	949	2,278
General	557	1,005
Surveying and linecutting	<u>7,764</u>	
	30,691	<u>26,170</u>
ADMINISTRATIVE EXPENSES		
Head office and accounting services and expenses	6,000	6,000
Legal and audit	300	1,850
Miscellaneous	116	229
Stock exchange fees and expenses	200	200
Transfer agents' fees and expenses	5,328	3,981
Government fees and taxes	205	255
Shareholders' information and publicity	<u>5,041</u>	4,938
	17,190	<u>17,453</u>
Total preproduction expenses for year	<u>47,881</u>	<u>43,623</u>
	1,492,255	1,468,077
Deduct preproduction expenses of amalgamated company written off to deficit	48,509	23,703
Balance end of year	<u><u>\$1,443,746</u></u>	<u><u>\$1,444,374</u></u>

DEFICIT

Year to May 31, 1969

		1968
Balance beginning of year	\$ 401,340	\$ 374,307
Add — Mineral claims, rights and interests of amalgamated company abandoned (\$5,741) and preproduction expenses relating thereto (\$48,509) written off	\$ 54,250	29,703
— Advances to other mining companies written off	400	101
	<u>54,650</u>	<u>29,804</u>
	455,990	404,111
Deduct — Interest earned	18,516	2,017
— Revenue from sale of gravel	—	754
— Gain on sale of investments	250,471	—
	<u>268,987</u>	<u>2,771</u>
Balance end of year	<u>\$ 187,003</u>	<u>\$ 401,340</u>

SOURCE AND APPLICATION OF FUNDS

Year to May 31, 1969

		1968
Cash in bank and short term bank deposits beginning of year	\$ 29,902	\$ 71,229
RECEIPTS		
Interest earned	\$ 18,516	2,017
Less receivable as at May 31, 1969	17,605	
	<u>911</u>	
Proceeds of sale of investments	466,265	
Sale of gravel		754
	<u>467,176</u>	<u>2,771</u>
	497,078	74,000
DISBURSEMENTS		
Purchase of notes of Consolidated Canadian Faraday Limited	399,000	
Cost of staking	1,741	
Exploration and development expenses	27,882	26,170
Administrative	17,261	17,827
Advances to other mining companies	100	101
	<u>445,984</u>	<u>44,098</u>
Cash in bank and short term bank deposits end of year	<u>\$ 51,094</u>	<u>\$ 29,902</u>